

HLIB Research

PP 9484/12/2012 (031413)

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BUY (Maintain)

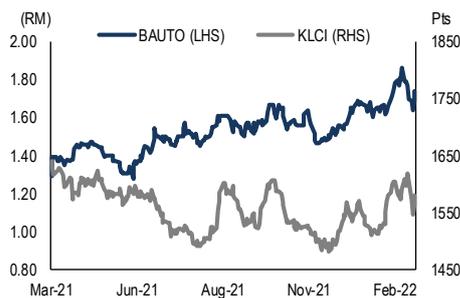
Target Price: **RM1.95**
Previously: **RM1.80**
Current Price: **RM1.74**

Capital upside	12.1%
Dividend yield	3.9%
Expected total return	16.0%

Sector coverage: Automotive

Company description: Bermaz Auto is involved in distribution, assembly, retailing and after sales service of Mazda, Peugeot and Kia vehicles in Malaysia and distribution of Mazda in the Philippines. Bermaz Auto is also involved in export of locally assembled Mazda and Kia vehicles.

Share price



Historical return (%)	1M	3M	12M
Absolute	6.7	16.8	30.4
Relative	6.6	10.0	34.4

Stock information

Bloomberg ticker	BAUTO MK
Bursa code	5248
Issued shares (m)	1,162
Market capitalisation (RM m)	2,022
3-mth average volume ('000)	1,849
SC Shariah compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★★

Major shareholders

Employees Provident Fund	18.5%
Dynamic Milestone	14.4%
Permodalan Nasional Berhad	12.0%

Earnings summary

FYE (Apr)	FY21	FY22f	FY23f
PATMI - core (RM m)	129.6	149.5	147.8
EPS - core (sen)	11.2	12.9	12.7
P/E (x)	15.6	13.5	13.7

Bermaz Auto

4QFY22 to leverage on SST exemption

Reported core PATMI of RM44.4m for 3QFY22 (+65.9% QoQ; +32.4% YoY) and RM82.8m for 9MFY22 (+24.6% YoY). We deem the result within HLIB expectation (55.4%) and consensus (62.5%) as we anticipate stronger earnings in 4QFY22 following stronger sales driven by the extended SST exemptions and continued economic recovery under the endemic transition in Malaysia and also economic reopening in Philippines. Declared third interim dividend of 2.25 sen/share (ex-date: 14 Apr 2022). We maintain our BUY recommendation with higher TP: RM1.95 (from RM1.80) based on 14x P/E CY22.

Within expectations. Reported 3QFY22 core PATMI at RM44.4m (+65.9% QoQ, +32.4% YoY) and 9MFY22 at RM82.8m (+24.6% YoY). This achieved 55.4% of HLIB's FY22 forecast and 62.5% of consensus which we deem within expectations, as we anticipate stronger earnings in 4QFY22, as BAuto accelerates production and deliveries of cars.

Dividend. Declared third interim dividend of 2.25 sen/share (ex-date: 14 Apr 2022), bringing up YTD dividend to 4.25 sen/share.

QoQ. Core PATMI improved by +65.9% to RM44.4m following ramping up of productions and deliveries in Malaysia operation as the country transitioned into Phase 4 of NRP during the quarter and allowed the automotive sector to commence full operations again. The quarter also witnessed maiden recognition from 65% owned Kia distributorship, contributing RM4.5m to operating profits.

YoY/YTD. Core PATMI improved by +32.4% YoY and +24.6% YTD, on better sales mix, improved margins driven by on-going strict cost-control measures and revision of warranty and free after-sales service campaigns by end CY21, as well as higher YTD associate contribution.

Outlook. BAuto's Malaysia operation is expected to continue its uptrend in coming quarters, leveraging onto the extended SST exemptions until Jun 2022 and the recovery of the economy as the country transitions into an endemic stage. The current outstanding orders for Mazda marque is c.3.5k units, indicative of 2.0-2.5 months delivery backlog. Malaysia operation is also expected to leverage onto the newly launched Peugeot new 2008, 3008 facelift and 5008 facelift and Kia marque for growth in 2022. Backlog order for Peugeot is c.300 units and Kia is c. 200 units. Similarly, Philippines market is also expected to recover following its recent eased movement restrictions to the lowest level, allowing economic activities to operate at full capacity again.

Forecast. Unchanged.

Maintain BUY, TP: RM1.95. We maintain BUY recommendation on BAuto with higher TP of RM1.95 (from RM1.80), based on a higher CY22 P/E of 14x (from 13x). BAuto has a healthy balance sheet position with net cash of RM325.5m (28.0s/share) as of end 3QFY22 and expected dividend payout of 6.75s/share for FY22 (indicative 3.9% yield).

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Apr	FY20	FY21	FY22f	FY23f	FY24f
Cash	100	563	590	605	602
Receivables	107	148	149	114	136
Inventories	685	278	323	261	300
PPE	39	37	37	38	38
Others	357	375	387	405	430
Assets	1,288	1,402	1,486	1,422	1,505
Payables	350	248	273	207	196
Debt	138	205	155	105	105
Others	280	337	333	328	324
Liabilities	767	790	761	641	626
Shareholder's equity	470	565	680	726	807
Minority interest	51	47	45	55	73
Equity	521	612	725	781	879

Cash Flow Statement

FYE Apr	FY20	FY21	FY22f	FY23f	FY24f
EBITDA	126	169	211	197	273
Net Interest	(3)	(7)	(4)	(3)	(1)
Taxation	(56)	(40)	(61)	(44)	(64)
Working Capital	(207)	311	(20)	32	(73)
Others	(6)	21	4	4	4
CFO	(146)	453	129	185	140
Capex	(15)	(4)	(5)	(5)	(5)
Others	(1)	(3)	0	0	0
CFI	(17)	(6)	(5)	(5)	(5)
Changes in debt	138	68	(50)	(50)	0
Shares issued	5	1	0	0	0
Dividends	(192)	(37)	(35)	(102)	(125)
Others	(13)	(13)	(13)	(13)	(13)
CFF	(62)	19	(98)	(165)	(138)
Net cash flow	(225)	465	26	15	(3)
Forex	5	(2)	0	0	0
Others	0	0	(0)	0	0
Beginning cash	320	100	563	590	605
Ending cash	100	563	590	605	602

Income Statement

FYE Apr	FY20	FY21	FY22f	FY23f	FY24f
Revenue	1,755	2,288	2,482	2,271	2,727
EBITDA	126	169	211	197	273
EBIT	110	153	195	181	257
Net interest	(3)	(7)	(4)	(3)	(1)
Associates & JV	27	21	18	24	31
Profit before tax	134	166	209	202	287
Tax	(14)	(41)	(61)	(44)	(64)
Net profit	120	125	148	158	223
Minority interest	(3)	5	0	0	0
Core PATMI	117	130	150	148	205
Exceptionals	(2)	3	0	0	0
Reported PATMI	115	133	150	148	205
Consensus core PATMI			133	171	209
HLIB/ Consensus (%)			113%	87%	98%

Valuation & Ratios

FYE Apr	FY20	FY21	FY22f	FY23f	FY24f
Reported EPS (sen)	9.9	11.4	12.9	12.7	17.7
Core EPS (sen)	10.1	11.2	12.9	12.7	17.7
P/E (x)	17.3	15.6	13.5	13.7	9.9
DPS (sen)	7.5	6.5	6.8	9.8	11.8
Dividend yield (%)	4.3%	3.7%	3.9%	5.6%	6.8%
BVPS (RM)	0.40	0.49	0.59	0.63	0.69
P/B (x)	4.3	3.6	3.0	2.8	2.5
EBITDA margin	7.2%	7.4%	8.5%	8.7%	10.0%
EBIT margin	6.3%	6.7%	7.8%	7.9%	9.4%
PBT margin	7.6%	7.2%	8.4%	8.9%	10.5%
Net margin	6.7%	5.7%	6.0%	6.5%	7.5%
ROE (%)	22.7%	25.0%	24.0%	21.0%	26.8%
ROA (%)	10.0%	9.6%	10.4%	10.2%	14.0%
Net gearing (%)	8.0%	N.Cash	N.Cash	N.Cash	N.Cash

Assumptions

FYE Apr	FY20	FY21	FY22f	FY23f	FY24f
Sales volume					
Malaysia (units)					
Mazda	9,484	13,439	14,420	11,890	14,490
Kia	0	0	1,000	2,000	3,000
Peugeot	0	242	1,000	2,000	3,000
Philippines (units)	2,227	1,245	1,790	2,750	3,350
Production volume					
MMSB (units)					
	17,002	9,833	15,300	16,500	21,100
Inokom (units)					
	25,544	17,566	25,678	30,800	35,333

Figure #1 Quarterly results comparison

FYE Apr (RM m)	3QFY21	2QFY22	3QFY22	QoQ (%)	YoY (%)	9MFY21	9MFY22	YoY (%)
Revenue	598.0	483.8	623.1	28.8%	4.2%	1,646.7	1,427.8	-13.3%
EBITDA	40.0	37.5	54.7	45.8%	36.8%	91.1	103.8	13.9%
Core EBIT	36.1	32.4	49.6	53.0%	37.5%	87.4	99.7	14.0%
Interest Expense	(1.6)	(1.3)	(1.7)	24.2%	3.8%	(7.1)	(4.8)	-33.0%
Interest on Lease Liability	(0.8)	(1.0)	(1.0)			(2.6)	(3.0)	
Interest and Investment Income	1.7	1.3	1.5	15.6%	-10.7%	3.7	4.7	26.1%
Associates								
MMSB	4.8	0.1	5.0	N.M.	3.8%	0.8	3.2	296.8%
Inokom	2.5	2.8	2.2	-19.7%	-10.7%	6.3	6.0	-5.3%
KMSB	0.0	0.0	(0.7)			0.0	(0.7)	
Core PBT	42.7	34.3	55.1	60.6%	29.0%	88.6	105.2	18.8%
Exceptionals	(0.5)	(0.7)	0.1			0.7	(2.0)	
Reported PBT	42.2	33.5	55.1	64.3%	30.6%	89.2	103.1	15.6%
Tax	(9.6)	(8.6)	(8.6)	0.0%	-10.5%	(23.5)	(21.4)	-9.1%
MI	0.5	1.1	(2.0)	N.M.	N.M.	1.4	(1.0)	N.M.
Reported PATAMI	33.1	26.0	44.5	70.8%	34.4%	67.1	80.8	20.4%
Core PATAMI	33.6	26.8	44.4	65.9%	32.4%	66.5	82.8	24.6%
Reported EPS (Sen)	2.8	2.2	3.8	70.8%	34.4%	5.8	7.0	20.4%
Core EPS (Sen)	2.9	2.3	3.8	65.9%	32.4%	5.7	7.1	24.6%
				<u>ppts</u>	<u>ppts</u>			<u>ppts</u>
EBITDA Margin (%)	6.7%	7.8%	8.8%	1.0	2.1	5.5%	7.3%	1.7
Core EBIT Margin (%)	6.0%	6.7%	8.0%	1.3	1.9	5.3%	7.0%	1.7
Core PATAMI Margin (%)	5.6%	5.5%	7.1%	1.6	1.5	4.0%	5.8%	1.8

Bursa, HLIB Research

- 3QFY22 revenue improved QoQ in line with higher group car sales volume, as Malaysia gradually relaxed the movement control measures during the quarter.
- Stronger QoQ contribution from associate MMSB as the entity ramped up productions during the quarter.
- MI turned to negative in 3QFY22 due to profits attributed to MI of 65% Kia distributorship subsidiary.

Figure #2 Quarterly result breakdown

FYE Apr (RM m)	3QFY21	2QFY22	3QFY22	QoQ (%)	YoY (%)	9MFY21	9MFY22	YoY (%)
Revenue								
Malaysia	549.9	449.6	580.4	29.1%	5.5%	1,530.0	1,300.6	-15.0%
Philippines	48.1	34.2	42.8	25.0%	-11.1%	116.7	127.1	8.9%
Total	598.0	483.9	623.1	28.8%	4.2%	1,646.7	1,427.8	-13.3%
EBIT								
Malaysia	36.4	31.0	48.7	57.4%	33.7%	86.9	95.1	9.5%
Philippines	0.0	1.2	1.1	-2.9%	3396.9%	2.0	3.4	72.0%
Others	(0.9)	(0.4)	(0.2)			(0.8)	(0.9)	
Total	35.6	31.7	49.6	56.7%	39.5%	88.1	97.6	10.9%
Core EBIT	36.1	32.4	49.6	53.0%	37.5%	87.4	99.7	14.0%

Bursa, HLIB Research

Figure #3 Quarterly sales breakdown

	2QFY21	1QFY22	2QFY22	QoQ (%)	YoY (%)	6MFY21	6MFY22	YoY (%)
Malaysia Mazda Sales								
Mazda CBU								
Mazda 2	41	39	79	102.6%	92.7%	230	144	-37.4%
Mazda 3	230	371	76	-79.5%	-67.0%	809	663	-18.0%
Mazda 5	0	0	0	N.M.	N.M.	1	0	N.M.
Mazda 6	7	37	29	-21.6%	314.3%	55	70	27.3%
Biante	0	0	0	N.M.	N.M.	2	0	N.M.
CX-3	2	328	212	-35.4%	10500.0%	235	540	129.8%
CX-30	429	126	166	31.7%	-61.3%	1,196	452	-62.2%
CX-9	26	13	17	30.8%	-34.6%	101	33	-67.3%
MX-30	0	0	1	N.M.	N.M.	0	1	N.M.
MX-5	1	12	5	-58.3%	400.0%	12	20	66.7%
BT-50	1	2	43	2050.0%	4200.0%	21	48	128.6%
Subtotal	737	928	628	-32.3%	-14.8%	2,662	1,971	-26.0%
Mazda CKD								
Mazda 3	0	0	0	N.M.	N.M.	0	2	N.M.
CX-5	2,514	1,437	2,074	44.3%	-17.5%	5,827	4,474	-23.2%
CX-8	345	334	467	39.8%	35.4%	1,290	1,040	-19.4%
Subtotal	2,859	1,771	2,541	43.5%	-11.1%	7,117	5,516	-22.5%
Mazda Total	3,596	2,699	3,169	17.4%	-11.9%	9,779	7,487	-23.4%
Peugeot (CKD)								
2008		0	57				57	
3008		100	167				267	
5008		33	59				92	
Peugeot Total	46	133	283	112.8%	515.2%	46	416	804.3%
Kia (CBU)								
Carnival			157				157	
Kia Total	0	0	157	N.M.	N.M.	0	157	N.M.
Malaysia Total	3,642	2,832	3,609	27.4%	-0.9%	9,825	8,060	-18.0%
The Philippines Sales Statistics								
CBU								
Mazda 2	13	0	27	N.M.	107.7%	38	27	-28.9%
Mazda 3	64	18	18	0.0%	-71.9%	219	68	-68.9%
Mazda 6	12	2	1	-50.0%	-91.7%	15	6	-60.0%
CX-3	4	0	0	N.M.	N.M.	11	8	-27.3%
CX-30	48	13	25	92.3%	-47.9%	75	74	-1.3%
CX-5	64	65	55	-15.4%	-14.1%	131	182	38.9%
CX-8	35	52	67	28.8%	91.4%	59	172	191.5%
CX-9	40	34	0	N.M.	N.M.	82	106	29.3%
MX-5	15	26	11	-57.7%	-26.7%	66	54	-18.2%
BT-50	57	5	132	2540.0%	131.6%	115	169	47.0%
Philippines Total	352	215	336	56.3%	-4.5%	811	866	6.8%
GRAND TOTAL	3,994	3,047	3,945	29.5%	-1.2%	10,636	8,926	-16.1%

*Associate level, as BAASB only became 55% subsidiary effective 2QFY22.
Bermaz Auto

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Stock rating guide

BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

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NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
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